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SUBJECT: INDONESIA'S STIMULUS PACKAGE - LITTLE FOCUS ON
GREEN INVESTMENT

REF: SECSTATE 26022

¶1. (SBU) Indonesia's fiscal stimulus has little focus on green investment. The package, equal to IDR 73.3 trillion (about USD 6.3 billion at current exchange rate of IDR 11,500/USD) or about 1.4 percent of GDP, relies primarily on tax measures with approximately IDR 17.1 trillion in new spending. Most of the new spending (IDR 12.2 trillion) is focused on infrastructure (roads, bridges, rails, ports, flood control, irrigation, energy and housing).

¶2. (U) Implementation of the fiscal stimulus package, approved by the legislature on February 24, is just beginning. While some ministry-level implementation details have not yet been finalized, Finance Ministry briefing materials on the stimulus package identify the following "green" measures:

- VAT subsidies for biofuels (IDR 200 billion) aimed at ensuring availability of biofuels at lower prices competitive with non-renewable oil-based fossil fuels. The subsidy is aimed at supporting future increases in biofuel production and reducing dependence on fossil fuels;
- income tax relief (IDR 800 billion) for geothermal production; and
- extension of a VAT incentive for geothermal energy to promote power generation from geothermal sources (unspecified portion of wider VAT subsidy).

¶3. (U) The package also contained the following measures:

- subsidies for automotive diesel (IDR 2.8 trillion);
- reduced peak electricity tariffs for industrial users (IDR 1.3 trillion); and
- power plant and transmission line construction (IDR 425 billion).

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